

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 DODE-00 PM-05 H-01 L-03 PA-01 /101 W
-----043116 071951Z /72/43

R 071802Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4922

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 05486

E. O. 11652: GDS
TAGS: EFIN, ELAB
SUBJECT: FUTURE INCOMES POLICY: TUC LEADERS STILL
GROPING

SUMMARY: IN FREE RANGING DISCUSSION AT A LUNCHEON
GIVEN BY THE AMBASSADOR, FIVE TOP LEVEL TRADE UNION
FIGURES, INFLUENTIAL IN MAKING TUC POLICY INDICATED
THAT THE TUC STILL HAD FAR TO GO TO DEVELOP A TRADE
UNION CONSENSUS IF IT IS TO PLAY A ROLE IN AN INCOMES
POLICY NEXT YEAR. NEVERTHELESS, WHILE THESE FIVE
LEADERS DID NOT GENERALLY AGREE AS TO WHAT THE TUC
POSTURE COULD OR SHOULD BE CONCERNING THE CONTENT,
FORM OR RATIONALE ACCEPTABLE TO ITS CONSTITUENTS
AS AN INCOMES POLICY, CERTAIN BROAD
CURRENTLY CONCERNING THE TUC LEADERSHIP ABOUT THE
PROSPECTS OF FUTURE WAGE DETERMINATION, AND PARTICULARLY
THEIR DETERMINATION THAT THE TUC SHOULD
CONTINUE TO INFLUENCE AN INCOMES POLICY RATHER THAN
BECOME A BYSTANDER. END SUMMARY.

1. AT THE LUNCHEON WITH THE AMBASSADOR AS HOST WERE
TUC GENERAL SECRETARY LEN MURRAY, GENERAL COUNCIL CHAIR-
MAN DAVID BASNETT, STEEL WORKERS GENERAL SECRETARY BILL
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SIRS, NALGO GENERAL SECRETARY GEOFFREY DRAIN AND AEUW
GENERAL SECRETARY JOHN BOYD.

2. FROM THE OUTSET THERE WAS GENERAL AGREEMENT THAT
THE CURRENT WAGE ROUND WAS COMING TO A SUCCESSFUL
CONCLUSION WITH A SURPRISING DEGREE OF RANK AND FILE
ACCEPTANCE, YET IT WAS NOTED (MURRAY) THERE HAD BEEN

A CONVERGENCE OF CRITICISM ACROSS A WIDE SPECTRUM (INCLUDING "LEFT", "CENTER", AND "RIGHT"). THAT OPPOSED TUC PARTICIPATION IN ANOTHER ROUND OF PAY POLICY. AS THESE TRADE UNION LEADERS SAW IT, A BRITISH GOVERNMENT IS NOW COMMITTED TO AN INTERVENTIONIST ROLE IN THE ECONOMY AND SOCIAL STRUCTURE, AND CANNOT ESCAPE EMPLOYING A POLICY ON INCOMES, INCLUDING PAY. BUT THEY COULD NOT SEE A GOVERNMENT SUCCEEDING IN CARRYING OUT AN INCOMES POLICY WITHOUT AN ACCOMMODATION WITH THE TRADE UNIONS AND EMPLOYERS. IN THEIR VIEW, A UNILATERAL INCOMES POLICY BY A GOVERNMENT -- WHETHER LABOR OR CONSERVATIVE -- WOULD BE SUBVERTED BY BOTH EMPLOYERS AND UNIONS LOOKING AFTER THEIR PARTICULAR INTERESTS.

3. THERE WAS AGREEMENT THAT INCOMES POLICY OVER THE PAST THREE YEARS HAD GIVEN RISE TO DISTORTIONS IN THE WAGES AND INDUSTRIAL STRUCTURE. IT HAD HAD INFLATIONARY EFFECTS BY IN EFFECT CREATING "A NORM" WHICH GAVE LARGE PAY INCREASES TO THOSE WHO COULD NOT HAVE WON THEM THROUGH BARGAINING OR EFFICIENCY. THE LARGE ROLE OF THE GOVERNMENT AS AN EMPLOYER WAS RAISING THE SPECTRE OF A DIVIDED LABOR FORCE, WITH THE PRIVATE SECTOR AND PUBLIC SECTOR OPERATING UNDER DIFFERENT CRITERIA OF WAGE DETERMINATION TO THE DISADVANTAGE OF PUBLIC SECTOR

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EMPLOYEES (BASNETT AND DRAIN). AFTER ALL, ABOUT 50 PERCENT OF THE 11,500,000 TUC MEMBERSHIP CONSISTS OF PUBLIC SECTOR EMPLOYEES. MOREOVER, TRADE UNION SUPPORT PLACED STRAINS ON RELATIONS WITH THE LABOR GOVERNMENT AND WITHIN THE TRADE UNION MOVEMENT.

4. FOR MURRAY, THE ACCEPTANCE BY THE SHOP FLOOR OF THE CURRENT PAY GUIDELINES WAS EVIDENCE THAT THERE WAS BASIC WORKER SUPPORT FOR THE CONCEPT OF AN INCOMES AND PAY POLICY, NOTWITHSTANDING SOME OF THE CHALLENGES THAT HAD BEEN BROKEN DURING THIS ROUND (THE FIREMEN) BY THE FIRMNESS OF THE GOVERNMENT AND THE "ACQUIESCENCE AND A BIT MORE" OF THE TUC. BUT AT THIS STAGE AS ALL AGREED, THERE WERE NOT THE VOTES ON THE GENERAL COUNCIL TO ACCEPT OR DEFINE A PAY POLICY FOR THE TRADE UNION MOVEMENT. THE TUC, BASNETT NOTED, WOULD PROBABLY CONTINUE ITS HABIT OF ARRIVING AT PAY POLICY NEGATIVELY, I.E., IN REACTION TO WHAT THE GOVERNMENT DOES. HE SUGGESTED THAT WITH THE CURRENT NEGATIVISM AND DIVISIONS IN THE TUC, IT WOULD TAKE A DRAMATIC SHOCK (OF A KIND NO ONE AT THE TABLE COULD QUITE DISCERN)

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SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 DODE-00 PM-05 H-01 L-03 PA-01 /101 W
-----043934 071952Z /72/43

R 071802Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4923

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 05486

TO CRYSTALLIZE TRADE UNION FEELING INTO A
PURPOSEFUL CONSTRUCTIVE VIEW OF AN INCOMES PPOLICY.
YET, LACK OF A POLICY THEY SEEMED TO THINK MIGHT HAVE
DANGEROUS ECONOMIC CONSEQUENCES. THE SITUATION WITHIN
THE TUC, IT WAS ARGUED, WOULD BE FURTHER COMPLICATED
THIS YEAR BY THE CHANGES IN THE LEADERSHIP OF ITS TWO
LARGEST AFFILIATES, THE TRANSPORT AND GENERAL WORKERS
UNION (TGWU) AND THE AMALGAMATED UNION OF ENGINEERING
WORKERS (AEUW). MOSS EVANS WHO, ON MARCH 29, TOOK
OVER AS TGWU GENERAL SECRETARY HAS STILL TO BE TESTED
IN PRACTICAL CIRCUMSTANCES NOTWITHSTANDING HIS DECLA-
RATIONS FOR "FREE COLLECTIVE BARGAINING". THE AEUW
IS IN THE THROES OF AN ELECTION FOR A NEW PRESIDENT
WHICH MAY RESULT IN A SUCCESSOR (TO THE NOW FAR LESS
ACTIVE HUGH SCANLAN SCHEDULED TO LEAVE IN OCTOBER) OF
EITHER A "LEFT WINGER" WHO HAS OFFICIALLY DECLARED FOR
"FREE COLLECTIVE BARGAINING" OR A "MODERATE" WHO
PROBABLY WOULD GO ALONG WITH AN INCOMES POLICY.

5. OF PARTICULAR INTEREST DURING THE CONVERSATION WERE
INDICATIONS OF SHIFTS IN THINKING ON SOME OF THE
PROBLEMS THAT CONFRONT THE FORMULATION OF A PAY POLICY
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POSTURE FOR THE TUC NEXT YEAR. LEN MURRAY, AS GENERAL SECRETARY OF THE TUC, AT THE BLACKPOOL TUC LAST SEPTEMBER HAD STRESSED THE DANGERS OF A CHAIN OF UNEMPLOYMENT ARISING FROM INFLATION, FED BY EXCESSIVE PAY SETTLEMENTS; AND DURING THE CURRENT PAY ROUND BE USED HIS POSITION TACTICALLY TO FIRMLY SUPPORT THE RATIONALE OF THE CALLAGHAN GOVERNMENT THAT WAGE MODERATION WAS NECESSARY AS A COUNTER-INFLATIONARY MEASURE. BUT MURRAY NOW SEEMS TO BE SHIFTING HIS FOCUS. WHILE REFERRING TO A REDUCED WAGE LEVEL FOR SETTLEMENTS AFTER THIS ROUND, HE NOW SPEAKS IN TERMS OF WAGES NOT HAVING BEEN HISTORICALLY A CAUSE OF INFLATION (THOUGHTS HE WOULD NOT HAVE UTTERED SEVERAL MONTHS AGO). MURRAY AND THE OTHERS NOW PLACE MORE EMPHASIS ON REDUCING UNEMPLOYMENT AS A PRIORITY OF GOVERNMENT POLICY. THEY URGE, MORE STRONGLY, REFLATIONARY MEASURES TO INCREASE DEMAND AND STIMULATE INVESTMENT, INCREASED TECHNOLOGICAL EFFICIENCY, IMPROVED LINE MANAGEMENT, AND EXPANSION OF JOB CREATION MEASURES, TO TAKE UP THE SLACK OF UNUSED PLANT AND THE UNEMPLOYED, TO INCREASE PRODUCTION AS THE ROAD TO REDUCING INFLATION. HE AND THE OTHERS EXPRESSED MORE CONCERN ABOUT THE PERSISTENCE OF HIGH UNEMPLOYMENT WHOSE CORE THEY SEE AS HARDENING, AND WHOSE CUSHIONING BY PRESENT SOCIAL SERVICE BENEFITS CANNOT BE CARRIED FOR TOO MUCH LONGER. HIGH LEVEL UNEMPLOYMENT WAS MOVING FROM A TEMPORARY TO A PERMANENT STAGE AND STORING UP SERIOUS SOCIAL AND POLITICAL PROBLEMS. REDUCTION OF THE WORK WEEK TO 35 HOURS AS SUGGESTED BY BOYD DID NOT WIN MUCH SYMPATHY AS A PRINCIPAL REMEDY FOR UNEMPLOYMENT.

6. IN SUM, THESE TUC LEADERS WHILE CONFIDENT THEY CAN TAKE THEIR RANK AND FILE WITH THEM, AND DIFFERING AS TO WHAT TO DO IN THE NEXT ROUND RECOGNIZE THAT AFTER THE CONFIDENTIAL

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APRIL 11 BUDGET, THE PERIOD OF SILENCE BY THE TRADE UNIONS AND THE GOVERNMENT OVER NEXT YEAR'S INCOMES POLICY WILL HAVE TO COME TO AN END. THE PUBLIC DEBATE WILL HAVE TO BE INITIATED SOON IF SOME NATIONAL CONSENSUS IS TO BE ACHIEVED. AT THIS POINT HOWEVER THOSE IN THE TUC LEADERSHIP FAVORING CONTINUATION WERE STILL AT A LOSS FOR A RATIONALE AND DEVICE FOR A WAGE POLICY. THE WAGE SETTLEMENT-INFLATION-UNEMPLOYMENT LINK WOULD NO LONGER BE CONVINCING; AND YET BRITAIN STILL HAD INFLATIONARY PROBLEMS. THEY DISCOUNT THE TERM "FREE" COLLECTIVE BARGAINING WHICH IN PRACTICE TRANSLATES FOR THEM INTO A MORE FLEXIBLE FORM OF COLLECTIVE BARGAINING WHERE THE GOVERNMENT WILL STILL PLAY A LARGE ROLE. THEY

WANT ORDERLINESS AND FAIRNESS -- ESPECIALLY FOR THOSE IN
A WEAK BARGAINING POSITION. THEY ARE CONCERNED OVER
THE DILUTION OF THE TUC PARTNERSHIP IN WAGE POLICY OVER
THE PAST THREE YEARS

THEY KNOW THAT

THE TRADE UNIONS WOULD NOT ACCEPT A STATUTORY INCOMES
POLICY. THIS WOULD INTRODUCE MORE INFLEXIBILITY AND
GOVERNMENT INFRINGEMENT ON TRADE UNION INDEPENDENCE.
NEVERTHELESS, THE TUC LEADERS SEEMED DETERMINED TO
CONTINUE TO PLAY SOME ROLE IN INCOMES POLICY RATHER
THAN FIND THEMSELVES CONFRONTED WITH THE PROSPECT OF
HAVING TO CHOOSE BETWEEN LESSER EVILS WHICH MIGHT
OTHERWISE BE AVOIDED. BUT THEY

DO NOT YET KNOW HOW A TRADE UNION INCOMES POLICY
WILL EVOLVE. WHAT IT SHOULD CONTAIN, AND WHAT FORM IT
SHOULD TAKE. BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, NEGOTIATIONS, LABOR UNION OFFICIALS, WAGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON05486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780151-0279
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780481/aaaacrac.tel
Line Count: 240
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 809dd4b4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3043040
Secure: OPEN
Status: NATIVE
Subject: FUTURE INCOMES POLICY: TUC LEADERS STILL GROPING SUMMARY: IN FREE RANGING DISCUSSION AT A LUNCHEON
TAGS: EFIN, ELAB
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/809dd4b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014